

Tips

Seek information

DFI offers a free guide to home loans CD-ROM and workbook. Learn to spot mortgage fraud and understand the home loans process before it is too late. Visit DFI's Web site or call the department to request free materials.

Be proactive

The foreclosure process will continue even if you are in the process of working out an agreement. Don't wait to hear back from your lender. Keep the communication moving.

Be aware of scams!

Don't sign anything you don't understand. Signing over your deed doesn't necessarily mean you no longer have to pay back your debt. Solutions that sound too good to be true, probably are.

Avoid a "Quick Fix"

Phony companies may promise to repair your credit or negotiate a new loan. Get "promises" in writing. Paying hefty fees up-front or to a counselor are red flags. Instead, use a free, HUD-approved housing counselor.

Act now! Delaying won't help

If you do nothing, you will lose your home, the money that you've put in your home and your good credit rating.

Keep detailed notes

Keep track of your income and expenses. When talking with your lender, write down who you speak to, the date and what was said. Use registered or certified mail for all of your correspondence.

Don't lose your home

Not taking action will damage your credit rating. This will have long-term effects on your financial future.

Washington State Department of Financial Institutions

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The Washington State Department of Financial Institutions regulates a variety of financial service providers such as banks, credit unions, mortgage brokers, consumer loan companies, payday lenders, and securities brokers and dealers. The department has received numerous awards for its outreach programs designed to promote financial literacy and protect consumers from financial fraud.



Don't Let a Foreclosure Impact Your Future

What is Foreclosure?

If you fall behind in your mortgage payments, your lender has the right to foreclose on your home. If monthly mortgage payments are not made the lender may require full payment of the loan.

An acceleration letter will be sent to your home. The letter will set a deadline for full payment of the past due amount. If the amount is not paid, foreclosure proceedings begin.

Next, the lender sends your file to an attorney to start legal action. The attorney's fees are included in the amount due. If the resale value of your home is lower than the amount owed, you can end up owing the difference – also known as a deficiency judgment.

Once the court-ordered foreclosure sale takes place, you lose your home and its equity. An unfavorable rating will appear on your credit report for seven years. A bad credit history can make it difficult to rent an apartment, borrow money, or in some instances get a job.





How Can You Avoid Foreclosure?

If you think you may have a problem making your house payment, or you are late already, be proactive: Call your lender to discuss what you can do. You can also seek advice from a housing counselor. Many public and private organizations offer assistance on everything from dealing with debt to avoiding foreclosure. Some counselors can help by working with the lender on your behalf.

Before You Call

Before you contact a counselor, gather a list of the major bills you pay every month and your recent income documents. Most important is your mortgage payment statement complete with your mortgage loan number. Having these nearby will help your counselor build an accurate assessment of your financial situation. For a checklist of information you should have ready before you call, please visit:

www.dfi.wa.gov/consumers/education/foreclosure/before_you_call.pdf

Don't ignore letters from your lender. Early intervention is important. Be honest about your circumstances. It's possible you can make alternative arrangements.

Don't move out or abandon the property. There are programs that can help you pay your mortgage and keep your home, but you may not qualify if you abandon your home.

What Are Your Options?

Sometimes, a lender may not pursue foreclosure even though your loan payments are behind. Although a lender isn't required to accept any offers or renegotiate the terms of your loan, there are alternatives to foreclosure.

Forbearance

Your lender may be willing to work with you to temporarily lower or suspend your payments. You may be able to refinance the loan at a lower interest rate or extend the term of your mortgage.

Mortgage Modification

Your lender may offer to refinance the debt and extend the term of your loan. This may help you catch up and reduce the monthly payments to a more affordable level.

Partial Claim

Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage current, if you qualify.

Pre-Foreclosure Sale

You may be able to sell your property and pay off your mortgage loan to avoid foreclosure and damage to your credit rating. If you are unable to afford the house long-term, you may sell the house yourself before the foreclosure sale and save some of your equity.

Deed-in-lieu of Foreclosure

As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but may help your chances of getting another mortgage loan in the future.

Contact HUD

Contact the U.S. Department of Housing and Urban Development (HUD) to learn more about federal programs that may help.

Postpone payments

Senior citizens and disabled persons facing foreclosure may be eligible to postpone property tax payments or special assessments. Contact your local County Assessor's Office or an attorney for more information.